

## STATEMENT OF REASONS

### Gas Market Service Operator allocation costs

Under Rule 425 of the National Gas Rules, the AER is required to make a determination on the Market Service Operator (MOS) allocation service costs payable to a gas short term trading market pipeline operator. This statement of reasons sets out our determination on the 2017–18 MOS allocation service costs for:

- APA Group for the Roma to Brisbane Pipeline (RBP) and the Moomba to Sydney Pipeline (MSP),
- Epic Energy (Moomba to Adelaide Pipeline System), Jemena (Eastern Gas Pipeline (EGP)) and SEA Gas (South East Australia Gas Pipeline).

Our determination is that costs specified in tax invoices the Australian Energy Market Operator (AEMO) provided to us for the five gas pipeline operators, would be the MOS service costs payable to each of them.

#### Background

On 17 August 2018, AEMO provided to the AER tax invoices and evidence for costs incurred for MOS allocation services for 2017–18. AEMO sought submissions on these costs, but did not receive any.

In the short term trading market hubs of Adelaide, Sydney and Brisbane, the respective pipeline operators are required to allocate gas on a daily basis in response to deviations on the pipeline or at the hubs.

This is done by increasing or decreasing the quantity of gas supplied to the hub. MOS is a standing agreement between pipeline operators and shippers to balance positive or negative deviations at the end of each gas day. MOS allocation service means the allocation of pipeline deviations.<sup>1</sup>

We have assessed the information AEMO provided and consider that the costs specified in all five pipeline operators' tax invoices have been incurred for MOS allocation services and that the costs are reasonable.

#### Reasons

In determining that the costs were reasonable, we considered historical MOS allocation service payments. We found that the 2017–18 tax invoices were mostly consistent with past years.

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<sup>1</sup> Rule 364 of the National Gas Rules (NGR).

Table 1 compares historical to current MOS service payments since 2011–12 with current 2017–18 invoice amounts.

It also includes two rows showing the minimum and maximum payments from the 2012–13 financial year to the 2016–17 financial years (2011–12 having been excluded due to payments amounts not aligning with the years that follow). This shows that for each pipeline, the 2017–18 invoice amounts are within the level they have been in prior years.

**Table 1 Comparison of 2017–18 invoice and historical MOS payments (excluding GST)**

	Adelaide Hub		Sydney Hub		Brisbane Hub
	SEA Gas pipeline (SEA Gas)	Moomba to Adelaide (Epic Energy)	Eastern Gas Pipeline (Jemena)	Moomba to Sydney Pipeline (APA Group)	Roma to Brisbane Pipeline (APA Group)
<b>2011–12</b>	\$30,115	\$117,209	\$15,805	\$188,814	\$722,442
<b>2012–13</b>	\$24,417	\$77,787	\$5,240	\$72,590	\$73,416
<b>2013–14</b>	\$28,241	\$115,660	\$7,235	\$72,918	\$73,284
<b>2014–15</b>	\$18,305	\$107,010	\$5,020	\$80,388	\$81,557
<b>2015–16</b>	\$16,125	\$120,606	\$8,755	\$85,375	\$86,905
<b>2016–17</b>	\$18,201	\$114,029	\$8,447	\$72,819	\$74,334
<b>2017–18 invoice</b>	<b>\$25,289</b>	<b>\$90,363</b>	<b>\$7,784</b>	<b>\$74,014</b>	<b>\$76,217</b>
<b>Minimum - 2012-17</b>	\$16,125	\$77,787	\$5,020	\$72,590	\$73,284
<b>Maximum - 2012-17</b>	\$28,241	\$120,606	\$8,755	\$85,375	\$86,905

We considered the supporting material the pipeline operators provided with their tax invoices demonstrated that direct and indirect costs had been appropriately allocated. We concluded therefore that the costs in the 2017–18 invoices were incurred for MOS allocation services.